CASH PROFFERS

ADOPTED POLICY

A. Underlying Assumptions of Adopted Policy

1. There is no "right" answer for a cash proffer methodology. Any policy must only meet a "reasonableness" test, that there must be some rationale for the approach chosen even though people may disagree about the "best" approach.
2. "Simple" does not equal "illegal".
3. Revenues generated by growth, i.e. residential and commercial real estate taxes, sales taxes, fees, etc. go to pay the normal operating costs of providing services for new residents, but that there is nothing left over to pay for the cost of capital facilities needed to serve these new residents.
4. **Countrywide averages**, where possible, will be used to determine the cost per dwelling unit of a public facility.

B. Adopted Policy Items

1. Methodology

   The staff approach to determining the cost of public facilities related to growth has been to simplify the calculations by making the above assumptions: that any revenue derived from growth will pay all the normal operating costs for services to new residents and relying on the use of Countywide averages where possible.

   There are five "components" involved in calculating what a new home will cost the County in terms of providing public facilities such as schools, roads, parks, etc. The components are as follows:

   a. Calculation of demand generators (such as number of people, or number of students) associated

with a new dwelling unit. Staff uses the weighted average of single family and multi-family persons per household (2.80 for FY95) and an average number of students per household (.58 for FY95)

b. Calculation of existing service level standards for each type of facility for which a cash proffer will be collected. Examples of service level standards are: 5.53 acres of community serving park land per 1,000 people, 2.34 library books per person, and 99 square feet of space per elementary school child. The documentation of actual or existing service level standards is the most time consuming component of calculating facility costs.

c. Calculation of the gross cost of public facilities. The term gross costs is used because a credit for anticipated future revenues from a new home will be applied against the gross cost (d). For example, to calculate the gross cost of park facilities, multiply the average persons per household by the cost per acre of park land plus improvement cost per acre of park land times the acres per capita.

d. Calculation of a credit to apply against the gross cost for each facility. Chesterfield has issued and will continue to issue general obligation bonds to finance the construction of public facilities. New residents will pay real estate taxes to Chesterfield. A portion of these real estate taxes will go to help retire this debt. So that new residents are not "double taxed" (once through payment of a cash proffer and again through real estate taxes) a credit is computed for each facility.

e. Calculation of the net cost per facility or maximum cash proffer. This is the gross cost (c) per

facility minus the applicable credit (d) per facility.

2. Cash proffers must be used to fund projects in the Capital Improvement Program.
3. The following capital improvements will be funded by cash proffers: schools, roads, parks, libraries and fire stations. **The cash proffer program does not presently include capital improvements such as jails and landfills.**
4. Cash proffers will be applicable to all residential rezoning requests.
5. Payment of the cash proffer must occur prior to or at the time of building permit application. Originally, the policy required that payment of the residential cash proffer be bonded at the time of subdivision recordation and that the proffers be paid within two years thereafter, or at the time of building permit application, whichever occurred first. The requirement that proffers be paid within two years of subdivision recordation was included to help ensure that new facilities would be available near the time they would be needed for new residents. Bonding was required to enforce the two year payment provision. On August 29, 1991, the policy was amended to eliminate the bonding provision and the two year payment provision.
6. There must be a relationship between the rezoning itself and the need for a public facility. In order to illustrate this relationship, geographic service areas or districts were established across the County.

   Since parks, libraries, and fire stations serve the entire County, the geographic service districts for these facilities were determined to be Countywide. Rezoning requests can be analyzed on a Countywide basis to determine whether they create a need for additional park, library, and fire station facilities.

With respect to high schools and middle schools, the County is divided into two geographic service districts: north of Route 360 and south of Route 360. With respect to elementary schools, the county is divided into 8 zones corresponding to the current high school attendance zones.

To determine road costs, two geographic service districts, one north of Route 360 and one south of Route 360, were established. These service districts were used in calculating a road cost per dwelling unit. The Transportation Department then identified 19 traffic sheds across the County. Money collected from a development within a particular shed will be spent on improvements within that shed.

7. In some instances, a rezoning applicant may wish to donate property either in lieu of the cash proffer or as a credit against a portion of the cash proffer. Property designated for donation (excluding roads) would need to follow the County's "Procedure for Acquisition of Private Property for Public Use." Credits may be given for usable land or improvements donated to the County with the following provisos: (i) credit for a land or construction contribution will not exceed the calculated cost of the facility required by the rezoning and (ii) credit for roads will be allowed for "off-site" land contributions or improvements.

The value of the donated land will be based on the acquisition cost of the property not to exceed the cost per acre used in the calculation of the proffer. If the value of a donated parcel is significantly more or less than the value used to determine the proffer, then the proffer would be recalculated. In the case of off-site improvements, the value of such improvements would be the estimated cost if constructed by a governmental entity.

8. Cash proffers not used for intended purposes within 15 years of receipt will be returned.
9. Adjustments in the cash proffer amount will be considered every fiscal year in June. Staff will recompute facility costs and credits based on the current methodology and recommend adjustments. Any adjustments would be effective July 1 of the new fiscal year.
10. Residential rezoning applicants are presently being asked to proffer a maximum of $5,083 per lot for payments made prior to June 30, 1995, and a maximum of $5,083 per lot plus the Marshall Swift Building Cost Index for payments made after June 30, 1995.